

Program Letter

United States Railroad Retirement Board Office of Programs



Quality Reporting Service Center

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TO: National Reporting Officers

SUBJECT: **Reminder Notice:** Impact of Railroad Retirement and Survivors' Improvement Act of 2001 on your Tax Payments

Reminder The Railroad Retirement and Survivors' Improvement Act of 2001 (RRSIA) reduced the Tier II railroad retirement tax rates and repealed the railroad retirement supplemental annuity work-hour tax paid by all rail organizations. This notice is a reminder of the RRSIA effect on Tier II payroll taxes and the supplemental annuity tax.

Effects on Tier II payroll tax The Tier II tax rate on rail employers and rail labor organizations decreased from 16.1 percent to 15.6 percent in 2002 and to 14.2 percent in 2003. The Tier II earnings base and employee Tier II tax rate for 2002 and 2003 are unchanged.

Effects on supplemental annuity tax The RRSIA repeals section 26 USCS 3221(c) and 26 USCS 3221(d) of the Internal Revenue Code that covered the supplemental annuity taxes and benefits payable. Effective January 1, 2002, the work-hour tax is no longer payable. Supplemental annuities provided by section 2(b) the Railroad Retirement Act (RRA) will continue to be paid.

New forms The Railroad Retirement Board previously released revised Forms OE-1 and OE-1a (01-02) with updated instructions. Paper copies of the revised forms and instructions were mailed to you on March 6, 2002. If you need additional forms or instructions, please contact us. The possibility exists that your organization may have used a previous version of the form(s) (01-94) which included the supplemental work-hour tax calculation.

The new versions of the forms are now available on the Internet. To access the forms, click on the following link www.rrb.gov/employer.html, then scroll down to "Labor Employers." To avoid any problems, please advise your filers to destroy all versions of the Forms OE-1/1a with a revision date prior to January 2002.

Instructions for persons who may have deposited taxes in excess of the amount due

Use the following questions and answers as a guide to reconcile the amount of taxes paid.

Q. What do I tell subordinate units who may have paid supplemental tax or paid Tier II tax at the incorrect rate?

- A. If a deposit was made which included supplemental tax or was calculated using the old rate for Tier II tax, the depositor would have deposited more than the amount due. An excess deposit is easily identified and corrected when filing Form CT-1, Employer's Annual Railroad Retirement Tax Return. No additional actions or forms are required.

If you received this program letter on paper, a copy of the 2002 Form CT-1 and instructions are enclosed. If you received this program letter electronically, use this link to access Form CT-1, <http://www.irs.gov/pub/irs-pdf/fct1.pdf>. Use this link to access the instructions, <http://www.irs.gov/pub/irs-pdf/ict1.pdf>.

1. In Part II on the back of Form CT-1, enter the actual Tier I and Tier II tax liability, not the amount deposited. This should equal the amount in Item 13.
2. In Item 14 on the front of the form, enter the total deposits.
3. Item 16 would result in an excess payment, which should equal the amounts paid in error.

Q. Can I make an adjustment for the Supplemental Work-Hour or Tier II tax on Line 12 of Form CT-1?

- A. No. This line is for adjustments to the supplemental work-hour taxes paid in a prior period (2001 or earlier). Again, if your tax deposits were more than the taxes calculated in Item 13, then the balance will be an overpayment in Item 16.

Questions

Please share this reminder notice with the local offices of your organizations. If you have further questions concerning these tax changes or need to request new forms, please contact the Quality Reporting Service Center at (312) 751-4992 or by e-mail at the address shown above.

Enclosures